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The Montana Historical Society is celebrating a milestone in Montana historic preservation. The Federal and State Historic Rehabilitation Tax Credit program, administered by MHS' State Historic Preservation Office, has incentivized \$70 million in private investment toward preserving important historic properties across the state.

Tax credits for income-producing National Register properties have had a major impact on saving Montana heritage, Historic Architecture Specialist Pete Brown said.

Through the program historic property owners are eligible for federal and state income tax credits totaling 25 percent of their building rehabilitation investment, he said. Only projects where rehab costs exceed the building's purchase price qualify for the program.

The first historic properties were approved for the tax incentive program in Montana in 1990.

Projects typically involve buildings "with good bones, aesthetic and historic qualities, but with significant challenges towards their continued use," Brown said. Without the incentives, Brown said the buildings were likely to continue to deteriorate creating blight in their neighborhoods.

"The program has been meaningful to civically-minded idealists who see historic architecture as adding to one's quality-of-life, but it's also appealing to your no-nonsense

pragmatist who wants a building that is attractive to tenants, and a positive return on investment,” Brown said.

Although the average Montana historic rehabilitation tax credit project is just under \$1 million, some larger projects have included the \$6.6 million Arvon Block in Great Falls; the \$2.4 million Billings Babcock Theater renovation; and the recent \$2.3 million rehabilitation of the Helena YWCA.

The Arvon Block was built in 1890 by rancher Robert Vaughn as a Great Falls boarding house, stable and warehouse. It is now the 33-room Arvon Hotel and Celtic Cowboy Pub.

In describing the project, co-owner Peter Jennings noted that “widespread roof leaks made the building unfit for occupation. The wood framing had rot and mold to the point of structural failure. Before we bought it, most others looking at the building had visions of a cleared lot. I think our project is meaningful for reasons beyond the building’s historical or architectural values. Forty people earn their living in this building. It attracts hundreds of visitors to downtown Great Falls each week. It contributes to the local tax base more than it probably ever has. None of this would have happened without the tax credit program.”

In Billings, the rehabilitated Babcock Theater is a collaborative effort between the city and local developers. For 50 years prior to its 2012 revival, the Babcock suffered as economic activity moved to the suburbs.

Co-developer, Kim Olsen says, “The theater’s redevelopment had long been a priority for the city, but the recession and reduced local tax increment finance (TIF) funds, coupled with the building’s size and the sheer scale of necessary preservation work made redevelopment infeasible. Banks were supportive of the community benefit, but understandably hesitant to offer

funding. Tax credits, though, filled a crucial funding gap and ultimately made the project attractive.” Today the 760-seat Babcock Theater is striking as a downtown anchor with commercial spaces, and apartments. In 2017, developers will gift the theater to the city.

Where many tax credit projects create market rate housing, offices, and hospitality functions, the Helena YWCA’s tax credit rehab extends an important social safety net. The non-profit organization has no tax burden, but it was able to attract outside investors who put capital into the project relative to the tax credit amount they could earn through the substantial rehabilitation of the building.

Helena YWCA’s Executive Director, Kellie Goodwin McBride says, “We were serving about 25 women and their children in a 100-year-old building with not many updates and significant deferred maintenance. None of the life-safety, ADA, and aesthetic improvements would have been possible without the tax credits that attracted our investors. They put hundreds of thousands into the project that would have otherwise not been obtainable. It’s amazing what a stable, safe, and up-to-date building adds to the services we offer.”

“It is very fitting that this milestone has been reached in Montana in 2016, which is the 50th anniversary of the National Historic Preservation Act of 1966,” said State Historic Preservation Officer Mark Baumler. “The Act created the National Register of Historic Places as those properties worthy of preservation, while the tax credit program helps to make preservation happen.”

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